

UK IN A
CHANGING
EUROPE



THE CONSERVATIVE
LEADERSHIP CONTEST: A GUIDE
TO THE POLICY LANDSCAPE

FULL
FACT

INTRODUCTION

Anand Menon and Will Moy

Rishi Sunak has [attacked](#) Liz Truss's 'fairytale' economic plan. Meanwhile, Lord Agnew has [accused](#) the former Chancellor himself of peddling a 'fairytale' over his COVID loans scheme. Faced with a tsunami of claims and counterclaims, one cannot but feel sympathy for those Conservative Party members charged with electing our new Prime Minister.

Indeed, above and beyond this restricted electorate, what is the country as a whole to make of the various pledges being made by the remaining candidates? What promises are credible? What will be the impact of the policies being proposed? And what might be the implications for faith in our politics, were it to transpire that a candidate was elected on a false prospectus?

These are big questions. But it is important that we try to address them, if only because both Conservative Party members and, eventually, the country as a whole, need to be informed if they are to make wise electoral choices. That is why Full Fact and UK in a Changing Europe have partnered to produce a series of evidence led, research-based assessments of the key issues in this leadership contest.

To do this, we brought together a group of leading experts from respected institutions including the Health Foundation, the Institute for Fiscal Studies, and the Royal United Services Institute. We asked each of them to consider, based on the findings of their own research, the challenges confronting the incoming Prime Minister in their area of expertise, the immediate and longer-term issues they will need to address, and the potential implications of any choices they might make.

We selected the issues partly based on the [IPSOS issues index](#), and partly as a function of what has been discussed during the campaign so far (immigration, for instance, was not among the top ten issues in the June 2022 issues index, but has been quite prominent in the campaign). Clearly, we have not provided an exhaustive list of all the topics that have been and are being debated, but we hope to have identified the key issues.

Our aim in putting together this collection was not to tell people what to think. Rather, it was to provide information that will help them make up their own minds. For understandable reasons, ordinary citizens do not spend many of their waking hours pondering the workings of the macro economy, or the appropriate levels of taxation and public spending, or the ins and outs of defence or housing policy. Our contributors, for better or worse, do. We were anxious to deploy

their expertise to help those who either now or at some point in the future will be asked to make electoral choices based, in part, on the promises made by the candidates.

We also wanted to subject the candidates themselves to scrutiny. Honesty matters in politics, and it is important — for the standard of public debate, to ensure trust in politics and politicians, and to enable us to know what we are voting for — that those who stand for high office are held to account for the claims they make. We have not undertaken a ‘fact checking’ exercise in this collection (though we would encourage readers to visit the [Full Fact website](#), where this is done). Rather, we have sought to provide information that will allow people to assess the various proposals being put forward.

So, returning to our point of departure, what are we to make of the rival claims being made about taxation? What would tax cuts mean for the macroeconomy and for public spending in particular? How will economic choices impact on inequality? What pressures are weighing on our education system? Can the UK meet its net zero commitments? How can the incoming Prime Minister ensure the NHS and social care systems have the capacity and resources needed to deliver safe care through the coming winter and begin to improve access for primary and elective care? Is there a workable solution to the problem of small boats crossing the English Channel? Will either Mr Sunak or Ms. Truss really be able to resolve the outstanding Brexit issues as they claim they will? What needs to be done to address what is widely seen as a housing crisis? What are the international security risks we face, and what kind of defence policy might best address them? What choices does an incoming Prime Minister face when it comes to dealing with the demand of the Scottish National Party for another referendum on independence? Last but not least, what would help address the lack of faith in politics and politicians?

These are the kinds of questions we hope we have helped to answer. The intention of the collection, again, is to inform and not persuade. We hope that readers will look at it in that spirit. As an attempt to inform them about the facts; an attempt to allow them to assess rival political claims; and, finally, an attempt to ensure the candidates are straight with us.

Each article in this collection is the responsibility of its author. UK in a Changing Europe and Full Fact would like to thank all the authors. Particular thanks to Joël Reland, Sophie Stowers and Alan Wager for editing and commenting on the various submissions.

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MACROECONOMICS

Stephen Millard

WHAT POSITION WILL AN INCOMING PRIME MINISTER INHERIT?

The UK economy is weak. Our best guess is that the economy only grew by a little in Q2 and may even have shrunk. Either way, it is highly likely that the economy will move into recession in Q3 of this year (if not already in one). The [GfK Consumer Confidence Survey](#) fell to a new record low of -41 in June, the seventh consecutive monthly fall in the index. The forward-looking confidence indices are now at levels roughly in line with where they were in July 2008, the beginning of the Great Recession.

At the same time, the rate of CPI inflation was [9.4% in June](#) and we expect it to rise to a peak of somewhere between 10% and 11% in January of 2023. In other words, for the first time since the 1970s the UK economy is likely to experience ‘stagflation’. Moreover, given that we expect wages to only rise by 6% in 2022 relative to 2021, average incomes will fall in real terms (once you account for rising prices). Indeed, real personal disposable income fell by 0.2% in the first quarter of 2022, the fourth consecutive quarterly fall, and we expect a fall of 2.8% in 2022 relative to 2021. We should note that this fall is not entirely due to inflation but has also been driven by increases in taxes. Despite the rise in the National Insurance primary threshold at the beginning of July, the introduction of the new ‘Health and Social Care Levy’ at the beginning of April, together with the freezing of income tax allowances, has meant that the tax burden on households in 2022 [is higher](#) than in 2021.

IMMEDIATE AND LONG-TERM ISSUES

There are several immediate and long-term macroeconomic issues facing the incoming Prime Minister. First, inflation is likely to remain high throughout the rest of this year and next. Second, the UK economy is likely to enter a recession in the third quarter of this year if it is not already in one. At a time when many households are already facing a [‘cost of living’ crisis](#), this is likely to lead to a rise in unemployment over the next year or so and so further problems for households that face a fall in their income at a time of rising prices. The incoming Prime Minister will need to think about how best to support these households.

Leaving aside the issue of climate change and the transition to net zero, discussed elsewhere in this document, the main long-term macroeconomic problems facing the incoming Prime Minister are the United Kingdom’s [woeful productivity performance](#) and [demographic change](#), which will mean a smaller

working age population relative to retirees and a greater need for spending on health and social care. As emphasised by the Office for Budget Responsibility in their [‘Fiscal risks and sustainability’ report](#), this will have major implications for the sustainability of public finances.

IMPLICATIONS OF POTENTIAL POLICY CHOICES

A key question for the incoming Prime Minister will be whether or not to cut taxes. As noted above, demographic pressures mean the tax burden needs to rise, not fall, over the longer term. But even in the short term, cutting taxes will not necessarily help the economy. Tax cuts are likely to increase demand leading to higher inflation. This in turn would require the Bank of England’s Monetary Policy Committee to increase interest rates to offset the impact. The net impact would be lower taxes, but also higher interest rates, which would help some households but hurt others. It is also plausible that tax cuts might increase demand more rapidly than monetary policy would reduce it, in which case the tax cuts would still lead to a temporary rise in inflation.

Against this, tax cuts should reduce the fall in output and, possibly, bring the economy out of recession more quickly than otherwise. Income tax cuts will also raise households’ disposable income, which will offset, possibly fully for some, the effect of higher inflation on their real disposable incomes. But the poorest households — who are facing the largest squeeze on their cost of living — typically pay little if any income tax — as they are either unemployed or earn less than the income tax threshold — and so would not be helped by such a tax cut. A rise in Universal Credit is a much better way of supporting such households.

Another policy that has been mooted is a change in the ‘Inflation Targeting’ remit of the Monetary Policy Committee of the Bank of England, with the addition of a monetary target. Experience suggests that monetary targets are hard to achieve. At best they are only a means towards achieving the inflation target, so it is far from clear how this would help.

TAX AND SPEND

Ben Zaranko

WHAT POSITION WILL AN INCOMING PRIME MINISTER INHERIT?

In its March 2022 [Economic and Fiscal Outlook](#), the Office for Budget Responsibility (OBR) estimated that the Government was on track to meet its self-imposed ‘fiscal mandate’ (to have public sector net debt falling as a fraction of national income by 2024-25) with £28 billion to spare. It added that the Government’s target to balance the current budget (i.e. to cover all day-to-day spending out of tax revenue, borrowing only to invest, by 2024-25) was on track to be met with £32 billion to spare.

But this does not mean that a new Prime Minister and Chancellor would automatically have £30 billion of ‘headroom’ for tax cuts.

It is a projection around which there is a huge amount of uncertainty. There have been significant adverse economic developments since March and there remain plenty of downside risks. If you see this headroom and choose to cut taxes then you must be prepared to raise them, and raise them sharply, if — as is all too likely — that headroom subsequently disappears. A prudent Chancellor serious about meeting these targets would, in the current economic climate, be wise to maintain some margin for manoeuvre.

IMMEDIATE AND LONG-TERM ISSUES

The new Prime Minister and Chancellor could, of course, choose to change these fiscal rules to allow for more borrowing. Another idea floated has been to put government debt ‘[on a longer-term footing](#)’. One interpretation of this would be a deliberate increase in the average maturity of government debt, thereby locking in current (historically low) interest rates for longer. There may well be advantages to this approach. But this would not have any impact on the amount of fiscal ‘headroom’ in the short term (the Government would have the same amount of debt, just with a longer maturity) and so would not ‘pay for’ tax cuts. It could in fact push up debt interest costs in the short term, as long-term interest rates are currently [higher](#) than short-term interest rates, but would have the potential benefit of leaving the Government less exposed to any future increases in interest rates.

Ultimately, however government debt is structured and whatever borrowing the fiscal rules allow in the short run, lower taxes can only be paid for in the long run by lower public spending than we would otherwise see. If well implemented, tax cuts and [tax reform can help](#) promote economic growth, but this is [far from](#)

[guaranteed](#). The [view of the OBR](#) is that “tax cuts don’t pay for themselves and would not improve the [government’s] long-term finances”. It is extremely unlikely that any of the tax cuts proposed during the Conservative leadership contest would increase growth enough to pay for themselves.

If tax cuts were funded by additional borrowing, this would increase the level of aggregate demand in the economy, which — all else being equal — would act to push up inflation. But this would likely be met by a tightening of monetary policy by the Bank of England (i.e., larger and/or earlier increases in interest rates), offsetting any additional inflationary pressure created by the tax cuts. The key question then becomes one of redistribution: away from those who are exposed to the costs of higher interest rates, and towards the beneficiaries of the tax cuts.

The OBR’s March forecasts, discussed above, were underpinned by the Government spending plans set out in the October 2021 Spending Review. At that time, the expectation was that inflation would peak at around 4%. It is now expected to peak at [11%](#) and stay higher for longer.

Because departmental budgets are set in cash terms, they do not automatically increase if inflation turns out to be higher than expected. Instead, they become smaller in real terms: when prices are higher, the same cash budget can buy fewer goods and services. In other words, unexpectedly high inflation imposes an unintended dose of austerity. What originally looked like increases in public service spending averaging 3.3% above inflation each year [now look substantially lower](#). By March of this year, higher inflation forecasts had already wiped out at least 10% of the real-terms budget increases pencilled in last autumn (3.3% annual increases fell to 2.9%). To return to the intended rate of real-terms budget growth, plans would need to be topped up by at least £4 billion each year. If anything, this is likely to be an underestimate, due to [a quirk](#) in the inflation measure underpinning the official estimates.

That is also before accounting for any additional cost pressures from higher public sector pay awards, which workers might reasonably demand in the face of higher inflation, but which have the potential to add substantially to the budgetary challenges facing public services. It is possible that public sector pay decisions will be made before the new Prime Minister enters office. But in any case, public sector pay policy will pose some acute fiscal challenges later in the year. The Government’s existing spending plans were predicated on pay growth of 2 or 3%. If public sector workers are instead offered something like a 5% pay rise — never mind 10 or 11% — and departments are not provided with any additional funding, that would necessitate cuts in headcount and/or an acceptance that some public service objectives cannot be met.

The big question for the autumn then becomes whether or not to top up departmental budgets to compensate. Fully compensating all departments for a 5% across-the-board pay rise would mean a top-up of around £7 billion per year. If it were 10% across the board, it would require more like £18 billion. That would be on top of any compensation for non-pay pressures in the public sector (like higher energy bills).

IMPLICATIONS OF POTENTIAL POLICY CHOICES

Providing such a top-up would help to shore up public services in the face of substantial cost pressures but would eat into any fiscal headroom available for tax cuts.

Looking further ahead, both candidates are committed to ensuring spending on defence will either rise or at a minimum not fall below the NATO target of 2% of GDP, as countries across Europe step up their defence expenditure. A growing defence budget, alongside the well-known pressures on health, social care and pensions from an ageing population, would put strong upwards pressure on overall government spending.

For any government seeking to shrink the size of the state, this poses some difficult questions. The level of tax and spending cannot diverge indefinitely. Lower taxes must eventually mean lower spending. The question for a government seeking to cut taxes and spending as a fraction of national income over the longer run is: where are those spending cuts going to come from?

ECONOMIC INEQUALITY

Robert Joyce

WHAT POSITION WILL AN INCOMING PRIME MINISTER INHERIT?

Income inequality in the UK [rose sharply](#) in the 1980s. While its level remains very high compared to most developed economies, changes over the past 30 years have been small compared to the decade prior — with the arguable exception of the top 1%, who [continued to pull away](#) from the rest until the late 2000s financial crisis, and [may now be doing so again](#).

Recently, it is gaps between different parts of the country, rather than rich and poor people per se, that has been highest on the policy agenda. Here again, although earnings, employment and income differences across the country [have not](#), for the most part, been widening for the past 30 years, little has happened to undo the effects of recession and industrial change during the 1980s: relative economic malaise [persists](#) in many localities that formerly specialised in sectors like mining and manufacturing. Some geographic differences, however, have continued to grow: the highest-income people are [increasingly concentrated](#) in London and the South East, where house price growth has [rapidly increased](#) wealth. The expansion of university education has seen [increasing numbers](#) of graduates leave their hometowns for the capital and some other major cities, taking their skills and earnings with them.

Since the late-2000s financial crisis, relatively high inequality has been combined with a [protracted period of low growth](#) in earnings and income. This has shaped further forms of inequality. In some respects, the economic prospects of young people [look worse](#) than those of the generations that preceded them, violating a norm that we had become used to. Developments in the housing market and in pensions are making it harder to accumulate wealth. With earnings and incomes not rising above those of previous generations either, it will be challenging for them to save their way to the kind of economic security that many of their parents had.

IMMEDIATE AND LONG-TERM CHALLENGES

In the near term we face a cost-of-living crisis. This affects the living standards of all but, with the price of energy at its core, it will hurt the worst-off (who [tend](#) to spend a bigger share of their budget on energy) most. The large package of support announced in May [will go a long way](#) to mitigating those effects, and may even bring income inequality down in the short term — as did the large-scale

government intervention [during the pandemic](#). Nevertheless, as the situation develops, debate about further measures would surprise no-one.

Looking beyond the immediate term, though, the big prize is to break an impasse that the UK has been at for 20 years: achieving sustained and substantial income growth for those on modest incomes that is not solely reliant on patching the underlying problem through direct income top-ups. Reinvigorating income growth would go beyond just reducing poverty and raising average living standards. It would help avert the prospect of declining social mobility due to growing differences in prospects between those from different family backgrounds. The wealth passed down to people [looks set to increase](#) in importance relative to the income that they can earn and save themselves. This will tend to make life harder for a government wanting to make progress in closing other historically persistent economic inequalities, such as inequality between ethnic groups. It is harder to climb the wealth ladder without hand-me-downs if your income is low and stagnant, and even more so if the return on saving is small.

IMPLICATIONS OF POTENTIAL POLICY CHOICES

The new Prime Minister will need to decide whether to retain, or how to adapt, the “levelling up” agenda of their predecessor, which so far has focused on spatial inequalities. If the levelling up ambition is taken forward, the Government will need to integrate its agenda with its wider aims in relation to inequality and poverty. Many of the poorest people in the UK [live](#) in areas with high average incomes that are not a natural focus of levelling up. And the worst-off people in poor areas would not necessarily be the ones helped by policies that lifted the average incomes of their area. For example, if you create high-skilled jobs in a deprived area and do nothing else, those jobs are likely to be inaccessible to the worst-off people in that area. They may in fact be made worse off if the jobs attract high-skilled people from other parts of the country and this pushes up local housing costs.

As ever, inequalities come in many dimensions, they do not all have to move together, and there are reasonable debates to be had about which matter and why. The next Prime Minister will face the difficult task of forming a clear and coherent vision on this for the long term while navigating the immediate crises.

EDUCATION

Carole Willis

WHAT POSITION WILL AN INCOMING PRIME MINISTER INHERIT?

The education system is struggling to recover from Covid and the significant impact on children's learning resulting from school closures and pupil/teacher absences. Recent results from [National Curriculum Tests](#) at the end of primary school show that only 59% reached the expected standard in reading, writing and maths in 2021/2022, compared to 65% in 2018/19. Progress has been particularly slow for young children who are learning to read and those from disadvantaged backgrounds — the attainment gap between disadvantaged children and their peers has [widened](#).

Debate has focused on whether the Government is doing enough to support children's learning recovery, as well as their [mental health](#).

There is also a looming teacher supply crisis and [uncertainty](#) over whether the Government's recent 5% pay increase for experienced teachers in 22/23 will be [sufficient](#) to retain them in the profession. There was a temporary increase in applications to teacher training during the pandemic (as other career options were more limited) but numbers applying this year are forecast to be [significantly below target](#). High teacher vacancy rates put pressure on teachers and leaders and threaten the quality of education.

Underpinning both issues is the question of school funding. The schools' budget is increasing from £49.8 billion to £53.8 billion between 2021/22 and 2022/23, but per pupil school funding will still be [lower in real terms](#) than it was in 2009/2010. In recent years increases in core school funding have also been focused towards more advantaged schools, making the challenges facing disadvantaged schools even greater. While 16-18 education funding has seen a [big recent increase](#), this follows a long period of lower funding increases per student than both compulsory and higher education.

Following a [Schools White Paper](#) in March, legislation is now making its way through Parliament. The policy measures are designed to achieve some ambitious objectives — to increase the percentage of children achieving expected standards at primary school to 90% and the average grade at GCSE to 5, by 2030. But there are questions over whether there is enough funding available to achieve these objectives and much debate over the appropriate structure of the school system.

Post-16 education is in a state of transition, as new technical qualifications are introduced (T-Levels) and with a new [Skills and Post-16 Education Act](#) recently

enacted focusing on improving skills provision, particularly at the local-level. The future qualifications landscape will be particularly important for students from lower income backgrounds as they rely more heavily on [non-academic routes to progress](#).

IMMEDIATE AND LONG-TERM ISSUES

The Government's decision to increase teacher pay by 5% (rather than the 3% it originally proposed in the spring) may go some way to addressing concerns about teacher supply. However, simply increasing teacher pay without additional funding risks putting pressure on school budgets, which are already contending with high energy prices and other inflationary pressures.

The central plank of the Government's recovery strategy is the [National Tutoring Programme \(NTP\)](#), which aims to help children most affected by the pandemic to catch up with their learning using small group tuition. It has experienced a number of challenges over the last year. The Government has appointed new suppliers to deliver the programme next year and will need to consider how best to extend the reach of the NTP and build the [evidence base](#) on how best to maximise its effectiveness.

The Schools Bill has seen [extensive amendments](#) since it started making its way through Parliament. A myriad of issues still need to be resolved, including the appropriate governance and regulatory structures within which our schools will operate in future. Plans to move all schools into larger groups by 2030 ("strong" multi academy trusts) are likely to remain [contentious](#). And with the primary school population [expected to decline](#) by almost a fifth by 2032, this will undoubtedly create additional [system-level challenges](#) to overcome.

The recent [Special Educational Needs and Disabilities \(SEND\) and Alternative Provision Green Paper](#) highlighted how the current school system is failing to deliver for some of the most vulnerable pupils. The Government will need to tackle long-standing challenges to ensure these pupils have access to appropriate support and opportunities.

Whilst the Government is making a number of changes to the post-16 landscape and increasing the role of employers in articulating their needs, there is a longer-term question over the skill needs of the future. The world of work is changing — driven by climate change, technology, automation and demographics. Young people are likely to need [different skills in future](#) to succeed and the Government needs to consider how the education system can support them to acquire these skills.

IMPLICATIONS OF POTENTIAL POLICY CHOICES

Public funds are always stretched, and the Government has a cost of living crisis to manage. However, if there is insufficient investment in education we will see the impacts for decades to come in terms of a lower skilled and less productive workforce and [lower economic growth](#).

The level of school and college funding, teacher pay, and the scale of recovery initiatives have the potential to either weaken our education system and growth prospects, or enable them to flourish.

CLIMATE, THE ENVIRONMENT AND NET ZERO

Gareth Redmond-King

WHAT POSITION WILL AN INCOMING PRIME MINISTER INHERIT?

The UK has historically led on tackling climate change. It was the first major economy to introduce specific climate legislation (the [Climate Change Act](#)), the first to commit to net zero, and it has a good record of emissions reductions; UK emissions now are now 47% of their 1990 levels.

However, whilst the Government has set ambitious targets and launched a new Net Zero Strategy, the recent [Progress Report to Parliament](#) from the Climate Change Committee (CCC) found “major failures in delivery programmes”. The energy crisis, largely caused by soaring gas prices which predate the Russian invasion of Ukraine, but exacerbated by the conflict itself, further complicates the picture.

Many European nations, scrambling in the wake of the Ukraine crisis to bolster energy supplies, plan to accelerate moves away from fossil energy and to support energy efficiency measures. In the UK, the Government launched an [Energy Security Strategy](#) in April. This, however, was [criticised by many](#) as failing to deal with the immediate impacts of high fossil fuel prices, instead focusing on medium to long term measures to support energy supply, such as new nuclear power. Energy efficiency was a notable gap, with [reports suggesting that](#) the Treasury had blocked plans for more energy efficiency measures.

IMMEDIATE AND LONG-TERM ISSUES

Immediate policy priorities for the incoming Prime Minister include addressing the impacts of gas and oil prices on the cost of living crisis. With the dual fuel price cap forecast to reach £3,300 this winter, some have called for the scrapping of so-called ‘green levies’ on energy bills, which support investment in renewables and insulation schemes for vulnerable households.

In reality, this would likely mean moving these into general taxation (Liz Truss has said she would do this temporarily), a move largely supported by energy poverty groups and the energy sector alike. There have also been calls to cut VAT on energy bills, resulting in a relatively small saving for households, and to cut fuel tax.

Energy efficiency also needs to be addressed urgently if bills are to be permanently insulated from the volatile gas prices, with [analysis suggesting that](#) investment in energy saving solutions could save the UK hundreds of billions this decade. [Rishi Sunak has said](#) that he ‘wants to see hundreds of millions of pounds currently focused on measures such as heat pumps and decarbonising public-sector buildings refocused on an insulation programme for those on low incomes.’ However, it is estimated by think tank ERG that this could [cost the NHS £519m](#) in energy bills.

Millions of UK homes suffer from poor energy efficiency. The Government’s target is to upgrade them from [energy performance certificate](#) (EPC) D — the current average — to EPC C by 2035, cutting the gas demand of each home by 20%. Preliminary estimates suggest that delivering this aspiration will require £35-£65 billion of investment (£2-4bn a year) to improve homes below EPC C across the UK, an investment repaid over a number of years through lower households bills.

Central to the UK’s net zero strategy is decarbonising electricity generation, with a government ambition of 2035. Investment in wind (onshore and offshore) and solar power has led to [two fifths](#) of electricity in the UK now coming from renewables. If nuclear generation is included, 56% of the electricity produced in the UK was low-carbon in 2020-21.

Transport is the [single biggest source of emissions](#) in the UK. The transition from petrol and diesel to electric vehicles is accelerating and the Government has committed to end the sale of new petrol and diesel vehicles by 2030 (hybrids by 2035). The [CCC has found](#) clear progress in sales of electric cars, although electric van sales are ‘lagging behind’, and says that ‘development of charging infrastructure for electric vehicles is not making fast enough progress.’

IMPLICATIONS OF POTENTIAL POLICY CHOICES

Slowing the UK’s net zero transition in the face of economic pressures is not necessarily a vote-winner. [Recent polling showed 64% of UK voters support](#) the UK’s net zero commitment — seven times the share (9%) that oppose it. Nearly half those polled said they would be less likely to vote Conservative if they dropped the commitment, made on [the first page of their 2019 election manifesto](#). The CCC says net zero could boost the economy by 0.5% by 2035 with gas prices remaining high.

Other polling shows that the public understand energy bill rises have been caused by gas prices, not green levies — [57% of those polled](#) believed reducing gas use and expanding renewables to be the way to reduce reliance on Russian gas, with just [13% blaming](#) bills on green levies.

Calls to slow action on net zero to deal with the cost of living crisis ignore the fact that the latter is caused by overreliance on fossil fuels. Organisations such as the [International Energy Agency](#) are clear that increased investment in energy efficiency, renewables and other clean energy technologies is the best response to the current crisis.

‘Green levies’ on household energy bills help pay for investment in renewables and insulation schemes. They stand at £153 (8% of a dual fuel bill) having fallen in absolute terms and more than halved as a percentage of bills from April 2021 to April 2022. Cutting these levies is likely cause long-term damage, for little short-term benefit.

HEALTH AND SOCIAL CARE

Anita Charlesworth

WHAT POSITION WILL AN INCOMING PRIME MINISTER INHERIT?

Covid continues to have a major impact on NHS and social care services. Almost 1 in 10 hospital beds are currently [occupied by](#) someone with Coronavirus. Standards for ambulance response times, A&E waiting times, cancer and elective waits are all [significantly below target](#).

Public satisfaction with the NHS [fell](#) to 36% last year, the lowest level for 25 years, while patient satisfaction has also fallen [10 percentage points](#) since 2021. There have been simultaneous [declines](#) in the number of NHS staff who would recommend their organisation as a place to work, or, if a friend or relative needed treatment, would be happy with the standard of care provided by the organisation.

The issue facing the incoming Prime Minister is how to ensure the NHS and social care systems have the capacity to deliver safe care through the coming winter and begin to improve access for primary and elective care, with services [under](#) some of the most severe pressure experienced in decades.

Australia's 'flu season' suggests there may be a rise in infectious disease this winter, meaning preventative measures such as high rates of flu vaccination will be important. NHS capacity also needs to be in place to manage the potential increases in urgent and emergency care. But with 1 in 10 beds [occupied by](#) patients who no longer need acute care, social care capacity will be important to ensure patients can be discharged safely and properly supported.

IMMEDIATE AND LONG-TERM ISSUES

The new Prime Minister will immediately need to get to grips with a couple of significant reforms. 42 new Integrated Care Boards (ICBs) were established on 1 July to oversee the totality of health services within their area and to better coordinate care with local authorities. At the same time, social care is being reformed, with a cap on costs and an increased means-tested threshold beginning in October 2023. In addition, the amounts paid for care are being reformed, with the 'fair cost of care' policy intended to address the disparity between the amounts local authorities pay providers of care and those who fund their own care (self-funders). It gives self-funders the right to access the same rates that councils pay. Consequently, this amount will need to increase, adding to the cost of social care. The health and social care levy will be needed to help fund the

higher unit costs for local authority care over the long term. But it could also destabilise a fragile social care sector if the rebalancing of funding between local authorities and self-funders isn't managed effectively.

The coming decade will also see rapid ageing in the population, with the Office for National Statistics (ONS) [projecting](#) the number of people aged 85 and older to be a third higher than pre-pandemic. The number of people in the last year of life [will be](#) a fifth higher. These groups [need](#) more care and tend to use more emergency care, while [rising numbers](#) of people with multiple complex health problems adds to the challenge.

The new Prime Minister will need to ensure health and care services are reformed to meet these needs, including focusing on early diagnosis, more preventative action and more support in people's homes to reduce hospital stays. They will also need to consider growing health disparities, with wide differences in life expectancy and healthy life expectancy between different parts of the country.

The key issue underpinning all this is workforce availability. Despite the NHS full-time equivalent workforce [growing](#) by 4% a year on average from December 2019-December 2021, Covid has contributed to increased staff sickness absences, workload pressures and burnout. In the [quarter to March 2022](#), vacancy rates across NHS trusts in England were back to pre-pandemic highs of over 105,000 FTE. There are particular pressure points in nursing and general practice. Further, around 165,000 posts in adult social care in England [were vacant](#) in 2021/22 — an increase of around 50% (55,000 posts) since 2020/21. Reducing workforce shortages will require expansion in the numbers in training, better recruitment and improved [retention](#). International recruitment has played an important part in bridging workforce gaps in both the NHS and social care. Pay is likely to remain a key concern as real earnings in the NHS have [fallen](#). In social care there is growing competition for workers with fewer formal qualifications as the labour market tightens and social care wages fail to keep pace with earnings growth in other [sectors](#).

The NHS will also need more capacity: workforce, equipment (for example diagnostic scanners) and facilities (hospital beds, GP premises and the like). There is a long overdue commitment to produce a workforce strategy with critical choices about how many staff to train and how far to rely on international recruitment longer term. The Government has also said it will develop a capital strategy which, along with the workforce, is vital to the long-run efficiency of the service. With the NHS accounting for almost a third of public service spending, ensuring that services are efficient is critical to its long-term sustainability.

IMPLICATIONS OF POTENTIAL POLICY CHOICES

A key issue is how ambitious to be about the recovery of services and care standards. More than 6.6 million people are now waiting for NHS care, but under current funding and delivery plans it is possible that waiting lists will grow by the end of this parliament. Cancer waiting time goals, early diagnosis ambitions and A&E and ambulance standards were all below target before Covid. Improving standards against the backdrop of rising demand is beyond current plans and capacity. Ultimately, expanding capacity requires funding: capital investment for buildings, beds and equipment and day to day running costs to grow the workforce. Health spending has historically increased by more than inflation and GDP. Growth in GDP is critical if health spending pressures grow at a similar rate to the historic average (3.6%).

[Ambitious plans](#) to improve health outcomes and deliver systemic improvements in primary, community and mental health services also entail more spending. There is extra funding committed to health up to 2024/25 — giving an annual real-terms increase of 3.4% between 2018/19 and 2024/25 (excluding the costs of Covid), double the rate of the 2010s but below the historic average of 3.6%. The combination of higher-than-expected pay and inflationary and demand pressures mean this will not be sufficient to meet the stated ambitions given rising inflation and the potential impact on pay which accounts for a large share of health spending.

IMMIGRATION

Madeleine Sumption and Peter William Walsh

WHAT POSITION WILL AN INCOMING PRIME MINISTER INHERIT?

The incoming Prime Minister will inherit a complex immigration debate with several high-profile problems to address. The one that has received most airtime is policy towards asylum seekers.

Participants on all sides of the debate describe the current asylum system as ‘broken’. There is an [enormous backlog](#) of applicants due to decision-making not keeping up with applications. This has cascading consequences, including [long and damaging waits](#) for applicants who cannot work during this period, and high costs for government which supports asylum seekers while they cannot work.

An estimated half of asylum seekers arrived via small boats last year. It is not possible to apply for asylum from overseas, which makes irregular crossings the main way to seek protection in the UK, except for Ukrainians and Hong Kong British Nationals Overseas, for whom legal routes exist.

Controversial policies designed in large part to reduce asylum applications have recently been introduced and are still being implemented, so it is too early to assess their effects. They include the Nationality and Borders Act 2022, which penalises refugees who arrive illegally or overstay. Then there is the Rwanda deal, which aims to deter irregular arrivals by sending some asylum seekers to the East African nation with no prospect of being given protection in the UK. The legality of that policy is still to be decided by the UK’s High Court.

For the foreseeable future, there remains a decent [probability that boat crossings will remain high](#), even if the planned policies are fully implemented, putting further pressure on the new Prime Minister to come up with further policy promises.

IMMEDIATE AND LONG-TERM ISSUES

Arguably the greatest problem facing the UK’s asylum system is operational: how to speed up decision-making on asylum applications and reduce the backlog, which is unlikely to happen without substantial additional spending.

Both candidates will face pressure to provide a solution to ‘stop the boats’, but this is not easy. Johnson’s government had largely reached a dead end on this issue. It had accepted that turning back boats was not feasible, due to technical difficulties and a lack of co-operation with France. It had rejected the idea

of addressing the problem by providing legal routes for spontaneous asylum seekers. The new PM will need to decide whether to double down on the current deterrent and enforcement-heavy approach (including prioritising a more effective solution with France) or explore other options such as expanding legal routes for people outside of the limited existing categories.

Whilst small boat arrivals attract most political attention, the new Prime Minister will not be able to ignore challenges in the UK's work migration system. Most notably, employers have complained that the post-Brexit immigration system has contributed to labour shortages. A range of industries have been lobbying for special visas for workers in low-wage jobs, such as baggage handlers. The main issue the new PM will have to address is whether and where such exemptions should be provided — and how.

Finally, the new PM will be confronted with the longer-term question of whether to take a position on what overall migration levels to the UK should be. It was widely expected that the new post-Brexit system would bring overall migration levels down, due to the much more restrictive rules for EU citizens. Whether it will do this is not yet clear, but recent data on non-EU migration suggest that any reductions in migration may be less dramatic than expected.

IMPLICATIONS OF POTENTIAL POLICY CHOICES

On refugee policy, both candidates have pledged to stick with the Rwanda deal, suggesting a largely deterrence-based approach. They have also pledged to stop the boats from arriving. But even if the Rwanda policy survives legal challenges and is implemented, its likely effect on boat arrivals is rather uncertain. Since a [range of factors](#) unrelated to policy drive asylum applications, the new PM may well find themselves a hostage to fortune on this issue.

On low-wage work and exemptions to the points-based system, two ways forward seem plausible. The government could either stick to its current position and not allow further 'carve-outs', which may exacerbate shortages (especially in the short-term while employers adjust). Or it could grant exemptions to some or all of the industries lobbying for them, bringing different problems—namely risks of exploitation of migrant workers tied to the job they were admitted to do; and the difficulty and expense of monitoring low-wage work visas. The macroeconomic impacts of such choices are expected to be small, but they can have concentrated impacts on individual businesses and industries particularly in the short term.

BREXIT

Anand Menon

WHAT POSITION WILL AN INCOMING PRIME MINISTER INHERIT?

The UK left the EU in January 2020, but Brexit is far from done. There are new barriers to trade with the EU which have [contributed](#) to an increase in food prices and on [one forecast](#) may reduce GDP by 4% in the long-term. The Government says it plans to amend inherited EU law for the good of the economy but plans remain vague. Meanwhile, Northern Ireland's unique position under the [Protocol](#), where it is subject to a range of EU rules, has led to a great deal of political acrimony.

The most pressing issue facing the new Prime Minister is whether to let the [Northern Ireland Protocol Bill](#) continue its process through parliament. This would give UK government ministers the power to override agreed elements of the Protocol through secondary legislation.

The EU has [made it clear](#) that it would view passage of the Bill as a breach of the terms of the Protocol. Should it become law, therefore, the new government would face the prospect of immediate retaliation, most probably via a further court action in addition to the two [already underway](#). This could prompt a trade war and would worsen already strained UK-EU relations, which are hampering cooperation in areas of mutual benefit such as the Horizon research programme.

IMMEDIATE AND LONG-TERM ISSUES

Looking further ahead, much will hinge on the Protocol. Unilateral UK action via the Protocol Bill would subsume all else (with the partial exception of cooperation over Ukraine) in terms of UK-EU relations. Even assuming that the Bill does not become law, the need to resolve the dispute over the Protocol will continue to dominate the relationship, though one could perhaps foresee circumstances in which the withdrawal of the Bill led to sufficient concessions on the EU side in terms of the operation of the Protocol to satisfy the UK (though should the Government insist on a renegotiation of the Protocol it is hard to see how any agreement could be reached).

'Brexit opportunities' refers to choices about how to capitalise on the freedom of the UK Government to make its own regulatory decisions. Real choices await when it comes to whether to diverge from EU rules covering financial services, gene editing, agricultural standards, and a raft of other issues.

There has to date been a strong symbolic element to the debate about Brexit opportunities, evidenced by [virtually all the leadership candidates](#) speaking of their determination to seize them, while producing very little in the way of detail. Specific measures taken so far have been largely symbolic, such as the Government's review into permitting greater use of imperial measures.

The substantive question is whether post-Brexit Britain will manage to regulate or deregulate quickly and effectively enough to generate real economic gains, either through increased business efficiency or greater foreign investment. To some extent, the ability to do this will be impacted by decisions on the size of the civil service. Brexit implies the need for sufficient resources to allow the UK to carry out effectively regulatory functions that were previously the purview of the EU.

The quest for Brexit opportunities is also related to trade policy. Divergence from EU rules might impact upon the UK's ability to trade with the EU. Should a new Government decide to amend EU data protection rules, any putative domestic benefits would need to be weighed against the possibility that divergence might entail a removal of the 'adequacy decision' that allows for the free flow of data between the UK and the EU. There is the added complication that divergence in areas covered by the Protocol might lead to a hardening of the border between Great Britain and Northern Ireland, as goods legally produced in the former might be outlawed in the latter.

Trade with the rest of the world is economically [less significant](#) than trade with the EU. Yet decisions to stay aligned with, for instance, EU agricultural standards [might limit](#) the ability of the UK to sign meaningful trade deals with prospective partners such as the US (though such a deal is hardly a priority of the current Washington administration).

IMPLICATIONS OF POTENTIAL POLICY CHOICES

How the Protocol is managed will have the biggest bearing on UK-EU relations but there is also a question as to how effectively the UK and EU can cooperate if they are engaged in stiff regulatory competition.

Economically, there are certainly opportunities to be seized in terms of regulatory divergence. However, these remain uncertain and it remains to be seen whether these can be worth more to the UK economy than close alignment with EU standards given the [possible costs](#) in terms of increased barriers to trade with the EU.

While both Ministers and candidates have proven reluctant to discuss it, numerous studies as well as [OBR forecasts](#) emphasise the ongoing negative

economic impact of Brexit. This will continue to weigh on the UK's overall macroeconomic performance and the fiscal environment within which other policy choices are made. And that impact will only increase in the event that a legal confrontation over the Protocol leads to retaliation by the EU which further disrupts UK-EU trade.

HOUSING AND PLANNING

Paul Cheshire

WHAT POSITION WILL AN INCOMING PRIME MINISTER INHERIT?

Our housing crisis is linked to the crisis in our planning system. Neither has suddenly sprung upon us: the Barker Reviews were set up in 2003 to investigate both. In just the last five years, there have been [three White Papers](#), each advocating very different policies. To date, none have been implemented. Housing by its nature is long-term: policy has not even been short-term.

Housing supply has been failing to meet demand for 50 years. In the 30 years to 2020, some 3 million fewer houses [were built](#) in England than in the previous 30. Lack of new supply is most acute where demand has been growing most strongly — around our most dynamic cities. Consequently, prices almost doubled in real terms each decade from the 1950s. Affordability — the ratio of median house prices to median incomes — worsened in England from 3.54 in 1997 to 9.05 in 2021, in London from 4.00 to 12.97. Internationally, a ratio higher than [3 is judged](#) to signal an affordability problem.

This has created a generational divide. The young, especially those unable to rely on parents, cannot afford decent or, increasingly, any housing at all. Meanwhile, the older generation have an appreciating asset. Of those born in the late 1950's, 55% [owned](#) their own house by the time they were 30: for those born in the early 1980's, [only 27%](#) were homeowners by 30. This not only redistributes wealth from young to old, but it also increases the value of assets relative to incomes. Since about 1990, the value of household wealth — mainly housing — increased from three to nearly eight times GDP. In absolute terms, household incomes have — particularly since 2007 — stagnated. But taxes on incomes have increased while those on wealth have proportionately stayed the same.

The result is a political conundrum. Every action aimed at making housing more affordable creates a conflict between the housing haves and have nots. The quite radical planning reforms proposed in the 2020 White Paper could have made house building easier but were abandoned after the Chesham and Amersham by-election. The February 2022 White Paper had entirely different proposals and, in passing, abandoned building targets for the first time since 2007.

IMMEDIATE AND LONG-TERM ISSUES

The durability of houses makes strategic reform difficult. The annual flow of new houses is equivalent to only [about 0.5%](#) of existing stock, meaning even the

most effective reform would not deliver real results for 10 years. The history of indecision in reforming our planning system partly reflects this difficulty but it also, independently, contributes to the problem. Development is a risky business. The unpredictability of planning decisions increases that risk. Added to that has been an additional uncertainty about what national and local planning policy is this month. Uncertainty increases risk so lowers spending on new housing projects.

Housing is an asset much cherished by core Conservative voters. Yet everyone recognises that its unaffordability, and the divisions and inequality that triggers, is a critical problem. Moreover, it is a problem created by long-term government policy failure and which government could resolve. The planning system could be reformed: there is [no physical constraint](#) on land supply — only a policy induced one. In other countries, property taxation or land value capture generate enough resources to incentivise communities to accept new building.

Another aspect of the housing problem is how it feeds carbon emissions. New houses are an order of magnitude [more energy-efficient](#) than our aging stock. So a side effect of low levels of housebuilding is that carbon dioxide emissions from the residential sector contribute more to the UK's national carbon footprint, rising from [12.9% to 20.1% of total CO₂ emissions over the past](#) 30 years. More new building would reduce the need to retrofit insulation. This is expensive and less effective than insulating from new but runs up against policies designed to preserve our past. It is almost impossible to alter any feature of a listed building and fitting solar panels, energy efficient windows or external insulation is very difficult and expensive in conservation areas. The example of London, where in several boroughs [50% or more](#) of the housing stock is in such areas, shows this is a real problem.

Finally, the response to lack of affordability and falling rates of owner occupation has increasingly been interventions to make credit more accessible, boosting demand. Since housing supply is so unresponsive to prices — particularly where housing is least affordable — boosting demand just pumps up prices. Help to Buy [did not help](#): the pandemic-induced Stamp Duty holiday of [2020 is estimated](#) to have increased the price of more expensive houses by more than the value of the tax reduction.

IMPLICATIONS OF POTENTIAL POLICY CHOICES

Even poor policy is better than inconsistent policy. One can learn to navigate a highly regulated development process and adapt to the policy environment. So perhaps the most important choice will be to decide not just on a policy but decide on sticking with it.

A strategic response might be to stick with what there is while providing a mechanism for funding planning and establish a wider-ranging review. Any such review would need a wide remit covering not just the planning system but local government finance and its associated system of property taxation. These are inter-related issues, with existing policy generating no incentive for communities to accept development.

SECURITY, DEFENCE AND FOREIGN AFFAIRS

Malcolm Chalmers

WHAT POSITION WILL AN INCOMING PRIME MINISTER INHERIT?

Russia's war against Ukraine is unlikely to end soon. There is a broad political consensus in the UK — including from both the remaining candidates — around the most important elements of its policy response. The UK has [allocated](#) some £2.3bn to equipping and training the Ukrainian armed forces, [supported](#) strong economic sanctions, and [made clear](#) that there can be no return to 'business as usual' with Putin's Russia.

China's support for Russia during the crisis has been a wake-up call for the UK and its Western allies. In a marked change from its previously more conciliatory approach, NATO's new Strategic Concept now [identifies](#) China as a threat to the Alliance's interests, and warns of the risks of interdependence, especially in relation to key technologies and industrial sectors.

Other threats could become acute at short notice. The failure to agree a path for Iran to return to its nuclear deal with the world's major powers means that it is getting close to having the material needed for a nuclear weapon — potentially triggering a major international crisis later this year.

The new Prime Minister will need to be attentive to a range of other security risks. Major terrorist or cyber-attacks are possible, and the Government cannot afford to drop its guard.

IMMEDIATE AND LONG-TERM ISSUES

The immediate foreign policy agenda is likely to be dominated by Ukraine. Ukrainian success in pushing Russia back from most of the areas it had previously captured would be a major success for UK policy and a potentially crippling blow to Putin. But the war could also grind on for many months, even years, with neither side able to secure lasting success. Either way, the outcome of the conflict will have a profound impact on the security of Europe, the cohesion (or otherwise) of the West, and the future foreign policy role of the UK.

The new Prime Minister will also need to focus on China. Although it was [recognised](#) as a 'systemic competitor' in the Integrated Review — the current framework for UK foreign, security and defence policy — there is no consensus on how far the UK should now go in limiting economic ties. The economic

benefits from Boris Johnson's flagship 'Global Britain' policy depended, in significant part, on increasing trade and investment links with Asia's biggest economy.

Much of the UK's economic success in the post-1945 period, and more recently in the period from 1990 up to 2008, was arguably a consequence of a 'globalisation dividend', in which the UK was especially well-placed to benefit from trade and capital market liberalisation. China's entry into world markets was a central part of this process. If economic links between China and the West now, by contrast, contract, the impact [could be profound](#) — especially if part of a wider deglobalisation. And such a contraction could happen quite rapidly — for example, if there were to be a war between the US and China over Taiwan.

IMPLICATIONS OF POTENTIAL POLICY CHOICES

The period ahead could see a reversal of the 'peace dividend' which the UK has enjoyed over the last 60 years. The reduction of the defence budget from 10% of GDP in 1952 to around 2% today [has made it possible](#) to increase the percentage spent on the NHS without a commensurate increase in taxation. But further reductions in defence spending are unlikely, and Johnson has [suggested](#) that current commitments mean it would have to rise to some 2.5% of GDP by the end of the decade. Liz Truss has [suggested](#) an increase to 2.5% by 2026, and to 3% by 2030.

The worsening in relations with both Russia and China is at the heart of this new debate. Current budget plans [provide](#) for only 0.5% annual real-terms increases after 2024, far less than would be needed to simultaneously fund ambitions for a nuclear warhead, a new fighter aircraft (probably joint with Japan), and filling the many gaps — recently exposed — in the Army's capability for fighting a sustained ground war in Europe.

As well as allowing these plans to be fulfilled, increasing spending to 2.5% or 3% of GDP could provide the resources needed to increase the size of the front-line force. Some increases in the front line could take place well before 2030 — for example through off-the-shelf purchases of aircraft from existing US production lines. Other increases in available military strength would require more time, and would involve sustained investment in military bases, the training of additional skilled personnel, and the development of shipbuilding, aerospace and factory infrastructure. The full military benefits from such investment would likely only be felt later in the 2030s.

If the next Prime Minister commits to a large increase in defence spending, they will have to decide how to finance it. Given the pressures on other public services, especially on the NHS, the most likely source would be increased taxes.

Increasing defence spending to 3% of GDP would cost an extra £25 billion annually at today's prices — [equivalent to adding](#) some 5p to income tax rates. If this were to be funded instead by a sustained increase in borrowing, it would have to be in addition to the cost of financing any tax cuts promised during the leadership campaign.

THE UNION

Nicola McEwen

WHAT POSITION WILL AN INCOMING PRIME MINISTER INHERIT?

Leaving the European Union has generated significant tensions within the UK Union. Both [Scotland](#) and [Northern Ireland](#) voted Remain by large majorities, but these votes were crowded out by the UK-wide decision to leave. During Brexit negotiations, both the Scottish and Welsh Governments consistently [advocated](#) for as close a relationship with the EU as possible, including membership of the single market. Just as consistently, both were largely ignored.

Brexit tensions have been compounded by a more assertive approach to the Union. Boris Johnson's so-called 'muscular unionism' was aimed at strengthening the UK government's role and visibility in devolved territories. Centred on policy areas that fall under the responsibility of the devolved institutions, this approach has prompted repeated accusations that devolution is being undermined. For example, the [three devolved finance ministers](#) combined forces to charge that new powers to spend directly in devolved areas, which the UK government gifted to itself in the controversial United Kingdom Internal Market Act, threaten and reverse the devolution settlements.

Together, these developments have led to a significant erosion in trust between the UK and devolved governments. In research interviews I have been conducting in preparation for a book, it is not unusual for officials from devolved governments to describe relations with the UK government as the worst they have ever been.

Both the Welsh and Scottish governments have initiated constitutional reform processes. In Wales, the Government set up an [independent commission](#) to explore options for a fundamental reform of the UK's constitutional governance and strengthen Welsh democracy. But the biggest threat to the Union comes from the Scottish Government's plans to hold a referendum on Scottish independence in October 2023. The SNP was re-elected with a promise to hold such a referendum. The SNP, together with the Scottish Greens, form a pro-independence parliamentary majority in Holyrood.

At issue, however, is where the legal authority to sanction a referendum [lies](#). This question was never resolved ahead of the 2014 referendum, as the two governments negotiated a temporary transfer of authority to the Scottish Parliament to ensure a legally watertight vote. Both [Theresa May](#) and [Boris Johnson](#) rejected similar [requests](#). At the First Minister's request, the Lord

Advocate, the Scottish Government's senior law officer, made a reference to the Supreme Court to test whether the referendum bill prepared by her government is within the Scottish Parliament's law-making competence.

IMMEDIATE AND LONG-TERM ISSUES

The most immediate challenge facing the next Prime Minister will be how to engage with the Supreme Court reference and respond to its outcome. This is a legal process, but one that is loaded with political significance.

The Court may conclude that the reference is premature and await a further reference from UK law officers once the proposed legislation has passed through parliament. Or it may take up the request to determine in advance of the legislation where competence lies.

On the substantive issue, the Court may decide that the Scottish Parliament has competence to legislate to hold a referendum that — the First Minister [stated](#) — would be 'consultative, not self-executing', designed to 'ascertain the views of the Scottish people for or against independence', not to bring independence into effect. In this case, we can expect legislation to follow soon after.

The new Prime Minister would then face a choice. Accept the ruling, perhaps even offer a more consensual approach to the process, whilst preparing to support those campaigning against independence in the subsequent referendum? Challenge the legitimacy of the process by encouraging a Unionist boycott? Or use the legal supremacy of the UK parliament to amend the Scotland Act to make any referendum on independence a reserved matter (and therefore not something that the Scottish Parliament could legislate for)?

If the Court determines, as the UK government maintains, that referendum legislation is beyond the Scottish Parliament's law-making powers, that would clearly present a huge headache for the SNP Government. But it would put pressure on the UK Government too. If 'now is not the time', as the two previous Prime Ministers concluded and all candidates to succeed them have agreed, what would be the circumstances that would merit a process to determine whether Scots still consented to live in union with the rest of the UK?

IMPLICATIONS OF POTENTIAL POLICY CHOICES

Ultimately, the future of the Union will be determined by politics, not law. If there is no legal pathway to an independence referendum, Nicola Sturgeon [declared](#) that she would regard the next UK general election as a de facto referendum. Such a scenario might suit the Conservatives in the short-term, as the party most likely to benefit electorally from opposition to independence

within Scotland. And so long as Scotland remains divided on independence, there is neither a legal nor a political imperative to respond to any claims of an SNP mandate. But such prolonged constitutional limbo could have a debilitating effect on politics and the Union in the longer term and do little to restore intergovernmental relationships already damaged by Brexit.

FAITH AND TRUST IN POLITICIANS

Will Jennings and Gerry Stoker

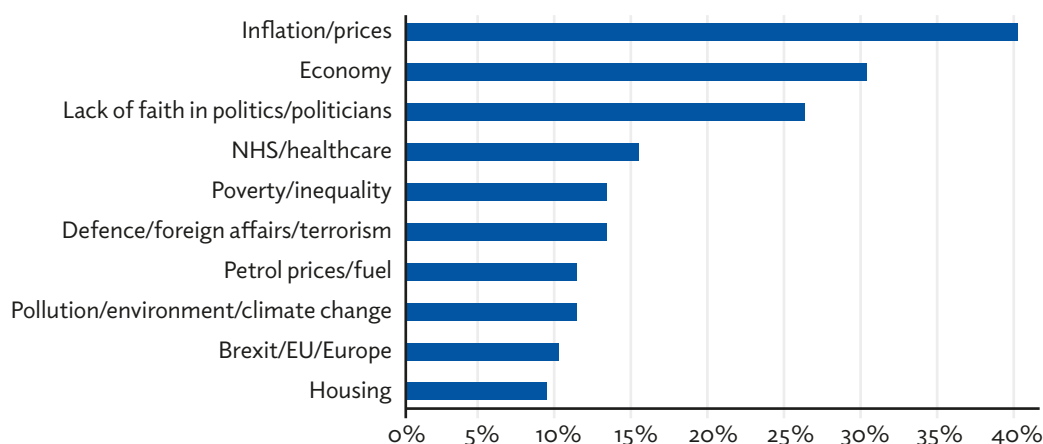
WHAT POSITION WILL AN INCOMING PRIME MINISTER INHERIT?

One of the defining legacies of Boris Johnson’s premiership has been its bulldozing of political trust and erosion of citizens’ faith in democratic politics and politicians. In June, [more people](#) than ever (over a quarter) cited a loss of faith as one of the ‘most important’ issues facing the country — ahead of the NHS and defence, and behind only inflation and the economy.

Figure 1: June 2022: What do you see as the most/other important issues facing Britain Today?

(Ipsos MORI, 8-14 June 2022)

UK IN A
CHANGING
EUROPE

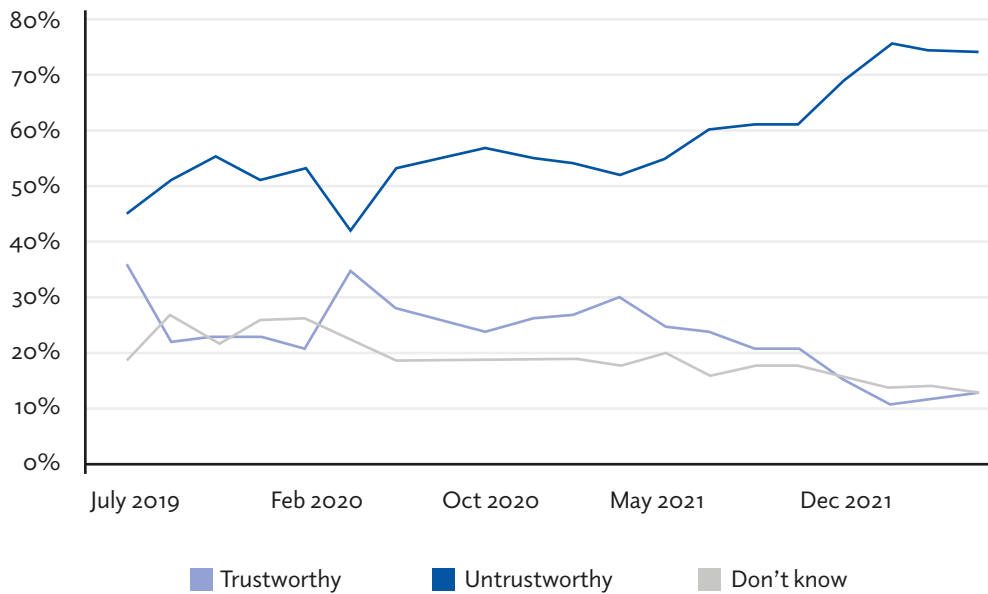


Political trust in British politics has been in long-term structural decline. The Johnson premiership is therefore not single-handedly responsible for it. His political successes, however, owe something to this lack of trust. First, the Brexit campaign was able to mobilise a sense of distrust in Westminster during the [2016 referendum](#), and later he used public frustration with gridlock in parliament to appeal to voters to help him [‘get Brexit done’](#).

But issues of trust [dogged](#) the Johnson premiership. Apart from a brief, [‘rally round the flag’](#) surge in trust in government at the outset of the pandemic, a majority of the public have consistently considered him to be untrustworthy, and more than 50% of people have held this view since the late summer of 2019. Those views hardened with “partygate” revelations in the winter of 2021 and have hardly budged since. Three quarters of the public now consider the outgoing Prime Minister to be untrustworthy.

Figure 2: Boris Johnson's Trustworthiness

Thinking about Boris Johnson, do you think he is trustworthy or untrustworthy?



IMMEDIATE AND LONG-TERM ISSUES

[Recent polling](#) of Conservative party members put integrity and honesty as the [top priority](#) when selecting the new leader. In the short run, addressing the issue of trust would appear key to the party's electoral success. One reason why candidates have been so quick to talk about [restoring trust](#) is the considerable danger that the party's brand will be toxified by recent events.

Trust also matters for making government more effective and more streamlined — a core concern of many of the leadership candidates. It offers a resource in times of crisis and for addressing major societal challenges. The immediate challenge confronting a new PM is likely to be the cost of living. Citizens need to believe government cares about them and is doing what it can to help. Without that feeling that government is on their side, state support will not necessarily be rewarded by voters.

In the longer-term, cynicism and distrust makes it more difficult for government to tackle thorny policy challenges such as climate change. Distrust inhibits our capacity to mobilise broad coalitions to support effective action on major issues. People need to believe that government can make a difference and that personal sacrifices can serve the common good. Indeed, [research shows](#) that a lack of trust can undermine willingness to obey laws and pay taxes.

IMPLICATIONS OF POTENTIAL POLICY CHOICES

Is simply being someone other than Boris Johnson enough for a new leader to restore trust? Probably not, in part because the trust malaise is not just a product of his premiership.

Trust is multi-dimensional. It starts with integrity, speaking truthfully, keeping promises and conducting yourself with probity. It extends to competence. We trust people not just for who they are, [but for what they can do for us](#). The same applies to political leaders. Trust is also connected to a sense that a person or an institution cares about you and will act in your interests. That means being responsive to the issues that matter to voters. There is also [growing evidence](#) that political trust is associated with ‘authenticity’; a demand for politicians to appear ‘normal’ and ‘in touch’ with ‘reality’ as experienced by ‘ordinary people.’

The challenge for the Conservative Party (as for other parties) is as much institutional as individual. Is it capable of prioritising the issues that people care about? From the leadership contest so far, there appears to be a mismatch between the issues raised by candidates — notably the preoccupation with culture war debates and tax cuts — and those currently preoccupying citizens, in particular the squeeze on the cost of living.

The necessity of crafting appeals first to their fellow MPs, and then to party members, led the leadership contenders to avert their focus from the concerns of the swing voters who will decide the next election. It is possible that when a new leader emerges, his or her focus will move to the general public, but the differences in outlook between MPs, the party base and voters in general will make that a tricky journey — especially in such a short period of time.

Moreover, the leadership debate has revealed deep policy differences and uncertainties about how to tackle key issues such as inflation, health care, the housing crisis and above all a faltering economy. Building trust at a time when real pay is falling and public services are struggling will be a severe test for the new Prime Minister.

UK in a Changing Europe promotes rigorous, high-quality and independent research into the complex and ever changing relationship between the UK and the EU. It is funded by the Economic and Social Research Council and based at King's College London.

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